GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1211
ANSWERED ON:01.03.2001
RURAL ELECTRIFICATION CORPORATION
RAGHUVANSH PRASAD SINGH;RAM PRASAD SINGH

Will the Minister of POWER be pleased to state:

(a) whether the Government of Bihar has requested to repay Principal part of overduesamounting to Rs.129.25 crores to Rural Electrification Corporation in ten equal installments provided the REC waives the entire interest;

(b) whether the request of the State Government has been considered by the Union Government; and

(c) if so, the time proposed to be taken by REC for the disbursal of the remaining balance?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) : Yes, Sir. The proposal contained in the Memorandum submitted by Bihar StateElectricity Board (BSEB) contemplates freezing of interest and penal interest due to RECand waiving of the same. It also proposed payment of only the principal outstanding Rs.129.25 crores, in ten yearly installments.

(b) & (c) : The total loan outstanding and overdues payable by BSEB to RECcurrently stands at Rs.431.79 crores as on 31.12.2000, of which Rs.132.97 crores is the principal and Rs.298.82 crores the interest including 66.90 crores as penal interest. Rural Electrification Corporation has not been able to disburse any amount to Bihar due toheavy default by Bihar State Electricity Board (BSEB). Despite continuous default in payment of REC`s dues, REC in 1996-97 sanctioned 39 new projects for rural electrification for loans outlay of Rs.40.83 crores to BSEB.They, however, did not execute loan documents and furnish Government guarantee and hence could not draw the loan amount against the sanctioned claims. The Government has also allocated a sum ofRs.37.67 crores for village electrification during the year 2000-01 under Minimum Needs Programme (MNP) being released directly to the States instead of earlier practice of routing it through REC.

In order to resolve the issue of outstanding dues and to start fresh credit flow to Bihar for RE programme, REC on many occasions proposed re-scheduling of REC dues which included part payment of overdues through one time cash payment andre-scheduling of the balance principal and interest over mutually agreed number of years. Despite favourable terms given and repeated offers for rescheduling the amount overdue, BSEB has not responded to this offer.The interest charged by REC is the minimumrequired to meet its cost of funds and as a financial institution, REC cannot afford to write off the entire interest amount on its loans to BSEB.

With regard to the request for freezing and waiving of the interest and penal interest, it may be mentioned that Rural Electrification Corporation (REC) as afinancial institution raises money as loan from various sources including the Government of India for carrying out its lending operations, and has to continuously discharge its liability for payment to Government and other lenders in the market both on account of principal and interest as per the commitments.

The Minister of Power convened a meeting with the MPs from Bihar onDecember 11, 2000 with the objective of consulting and obtaining their suggestions on improving the poor pace of rural electrification and power sector development in Bihar. In this meeting, it was agreed that a workable arrangement needs to be urgently evolved by which the rural electrification programme in Bihar can move forward and at the same time, REC is enabledto recover its dues over a period of time to ensure that REC`sability to access funds from the market is not affected. Subsequent to the meeting, the Minister of Power has also taken up the matter with the Chief Minister, Bihar inviting her for discussions on the pending issues so that these issues could be resolved. The response of the State Government is awaited.